

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6394

BILL NUMBER: HB 1186

DATE PREPARED: Dec 19, 1998

BILL AMENDED:

SUBJECT: Clarify requirement to refile exemptions/credits.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that an individual owner remains eligible and does not have to file a new statement for assessed value deductions and the homestead credit even though other joint owners have been removed.

Effective Date: January 1, 1998 (retroactive).

Explanation of State Expenditures: A loss of homestead credit (as explained below) reduces the state's expense for the homestead credit. The continued homestead credit under this proposal would remove any reduction in state liability. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in homestead credit expenditures would ultimately affect the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill applies to taxpayers receiving the following assessed value (A.V.) deductions and property tax credits:

1) Mortgage:	\$1,000 A.V.
2) Age 65 or over:	\$1,000 A.V.
3) Blind or disabled:	\$2,000 A.V.
4) Disabled Veteran (10% Service Connected):	\$4,000 A.V.
5) Disabled Veteran (100%) or (10% + Age 62 or over):	\$2,000 A.V.
6) WWI Veteran Surviving Spouse	\$3,000 A.V.
7) World War I Veteran:	\$3,000 A.V.

- 8) Homestead Standard Deduction
- 9) Homestead Credit

\$2,000 A.V.
10% - 1998 - 2001
4% - 2002 and after

Currently, joint property owners in each county are treated differently for purposes of receiving credits and deductions. Some counties allow the credits and deductions to continue without interruption after an owner is removed and some counties require the remaining owner(s) to re-file for the benefits. Requiring a taxpayer to re-file for the credit and deductions can result in the loss of the benefits for one or more years. A taxpayer who is not aware that the credit and deductions need to be re-filed may lose them for several years. A loss of deduction shifts the tax burden from all taxpayers to the taxpayer losing the deduction.

This bill would permit the remaining owner(s) to continue receiving these tax reductions under the original filing if the remaining owner(s) continue to qualify for the benefits. The continued deductions and credit would remove any increase in tax liability associated with the loss of these benefits.

The bill also entitles a taxpayer to a refund if they were denied a deduction or credit as listed above because of the removal of a joint owner. The refund would be made without interest and would be equal to the property taxes paid after 1997 that were attributable to the denied credit and deductions. The refund would reduce revenue to the taxing units that serve the taxpayers receiving the refunds.

State Agencies Affected:

Local Agencies Affected: County Auditors

Information Sources: